

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT TACOMA**

WILLIAM T. WHITMAN, individually and on
behalf of all others similarly situated,

Plaintiff,

v.

STATE FARM LIFE INSURANCE COMPANY,
an Illinois corporation

Defendant.

No. 3:19-cv-06025-BJR

DECLARATION OF CRAIG JOHNSON

1 I, Craig Johnson, have personal knowledge of the information below and declare as follows:

2 1. I am an independent contractor agent for State Farm Mutual Automobile Insurance
3 Company (“State Farm”), the parent of State Farm Life Insurance Company (“State Farm Life”) in
4 Washington.

5 2. I am not an employee of State Farm.

6 3. As an independent contractor agent for State Farm, I provide information to potential
7 policyholders on the many products State Farm offers that help people manage the risks of everyday
8 life and recover from the unexpected so that potential policyholders can select the products of their
9 choice. I provide information about insurance, the risks that make it necessary, how to protect
10 individuals and their property from those risks, and how to help individuals achieve important goals
11 for themselves and their families.

12 4. I am licensed to market, solicit, and service insurance in Washington. I have been an
13 independent contractor agent for State Farm since 1981.

14 5. I graduated from the University of Oregon with a degree in Business Finance.

15 6. I understand that this lawsuit involves claims against State Farm Life relating to the
16 Universal Life insurance policy issued on Form 94030, which was sold in Washington between 1994
17 and 2004 (“the Policy” or “Universal Life”).

18 7. In my nearly 40-year career as an independent contractor agent for State Farm, I have
19 marketed insurance policies to thousands of people. I have had numerous conversations with potential
20 policyholders about State Farm Life’s Universal Life policies, how those policies work and what their
21 benefits are.

22 8. I have received training from State Farm on its State Farm Life’s life insurance
23 products, including Universal Life insurance. I was trained on what the products are and their benefits
24 to potential policyholders. I was also given information on ways to have discussions about the products
25 with potential policyholders, but I was never given a required script for speaking to potential
26 policyholders. The ways I interacted with potential policyholders was left up to me as an independent
27 contractor agent.

1 9. I personally own a State Farm Life Universal Life policy. I bought it during the relevant
2 time period because I liked the flexibility. Being a father and husband, I anticipated that unexpected
3 expenses and financial responsibilities could arise during my life, and so I liked having the option to
4 lower my premium payments if needed. When I bought that policy, I knew that the cost of insurance
5 rate included profits and expenses. I knew that because for-profit companies that want to remain a
6 viable, financially sound business need to remain profitable to stay afloat. I assume that a company is
7 going to charge profit and overhead and I assumed that State Farm Life did so with the Universal Life
8 policy.

9 10. During the relevant time period, when I discussed any kind of life insurance product
10 with a potential policyholder, I had an individualized discussion with the potential policyholder who
11 came into my office, which varied depending on what that potential policyholder's needs and goals
12 were. Every policyholder interaction was unique.

13 11. Usually when I marketed a Universal Life policy, I reviewed it with people who had
14 already purchased Home and Auto policies from other State Farm entities. I usually asked those people
15 if they were ready if a tragic life event took place. That would prompt different conversations on what
16 sort of preparation they had in case an untimely death happened.

17 12. I would then discuss in different ways how much insurance the potential policyholder
18 might need given their personal circumstances and objectives. During the relevant time period, my
19 different discussions were driven by a needs-based approach, which means I found out how much
20 insurance the potential policyholder needed and what they could afford. When thinking about how
21 much insurance may have been needed, I would discuss what kind of income replacement potential
22 policyholders needed and their ability to pay outstanding debts.

23 13. During the relevant time period, once a potential policyholder knew that they wanted
24 to buy life insurance, I different discussions about what kind of life insurance made the most sense for
25 them. I would often ground those conversations in comparing a term policy against a permanent policy,
26 which can mean a whole life policy or a Universal Life policy. But the conversations I had with people
27 about these policies differed based on their needs.

1 14. The type of life insurance that makes sense for any given potential policyholder varied
2 according to the personal needs and objectives of that potential policyholder. For some potential
3 policyholders during the relevant time period, Universal Life made the most sense because it provided
4 them with reliable death benefits while also allowing them to pay flexible premiums. For instance, I
5 marketed a Universal Life policy to a friend who was starting a business that had unanticipated
6 business costs and expenses. It was important to him to be able to pay flexible premiums. My friend
7 also found that the Universal Life policy was less expensive than a whole life policy, and he could still
8 get the same amount of coverage.

9 15. If a potential policyholder decided that a Universal Life policy best fit his or her needs
10 and goals in looking for life insurance, during the relevant time period, I discussed in different ways
11 the annualized premiums, cash surrender value, and the death benefits available under a Universal Life
12 policy.

13 16. To explain a Universal Life policy to potential policyholders during the relevant time
14 period, I discussed in different ways that they started with an initial premium and a death benefit. The
15 policyholder then paid premiums, which State Farm Life would deduct a 5% premium expense charge
16 from. The remaining premium amount would be added to the account value. Then, from the account
17 value, State Farm Life would deduct the cost of insurance, the monthly charges for any riders, and the
18 monthly expense charge.

19 17. I explained that over time the account value earns interest, and that the interest earned
20 is added to the account value. I explained that the Universal Life policy provides a guaranteed
21 minimum interest rate for the account value, but that interest rate on the account value can be higher.

22 18. During the relevant time period, I usually used illustrations to help explain the
23 Universal Life policy. To develop the custom illustration, I collected information from the potential
24 policyholder on his or her age and sex, as well as personal health characteristics (such as whether he
25 or she was a smoker, had substandard health, or had any chronic health conditions) that would go into
26 determining the person's likely rate class. The illustrations were different based on the potential
27 policyholder's information. The tailor-made illustration allowed me to better answer potential

1 policyholders' questions about how the Policy may perform given their choice of initial death benefit,
2 the death benefit option, and premium payment and the rate class I assumed they might be assigned
3 using information they had given me, prior to going through the State Farm Life underwriting process.
4 The potential-policyholder-specific illustrations also helped me to show the policy's potential account
5 value, cash surrender value, and death benefit under two scenarios: (a) the cost of insurance assuming
6 the rate class used for the illustration was later confirmed through State Farm Life underwriting and
7 the current interest rate applied, and (b) the cost of insurance assuming the maximum cost of insurance
8 rate and the minimum guaranteed interest rate applied. To make sure people understood how the Policy
9 worked, I often pointed out the policy's projections to show how the cost of insurance deductions
10 increased as the policyholder got older.

11 19. I had different discussions with potential policyholders during the relevant time period
12 about the underwriting process, which was how State Farm Life confirmed policyholders' health
13 characteristics and other information affecting their rate class and determined the rate class that the
14 insured would be assigned. These discussions often came up when I created an illustration because I
15 would input what I anticipated the potential policyholder's rate class may be prior to the State Farm
16 underwriting process. The rate class assigned after the potential policyholder goes through
17 underwriting could be different from what I anticipated. I told potential policyholders that their
18 medical conditions, smoking, and underlying health conditions could impact their rate class and, along
19 with their age and sex, and their cost of insurance rate.

20 20. Discussions about the differences in cost of insurance rates for policyholders depending
21 on sex would often come up when a husband and wife were buying a Universal Life policy together.
22 They would ask why the wife's cost of insurance was less than the husband's cost of insurance. I
23 would explain that the cost of insurance depends in part on the policyholder's gender, and women are
24 assigned a different cost of insurance rate than men because women are expected to live longer than
25 men. I would also often explain the differences in cost of insurance rates due to age by explaining that
26 younger people are assigned a different cost of insurance rate because they are expected to live longer
27 than older people purchasing the same policy.

1 21. I had different discussions with potential policyholders about rate class in which I
2 explained during the relevant period to policyholders who smoked that they would be assigned a
3 different rate class than non-smoking policyholders, and that the smoker's rate class would result in a
4 higher cost of insurance rate than a non-smoker because non-smokers are expected to live longer.
5 Potential policyholders understood that their underlying health conditions would affect their rate class
6 and as a result their cost of insurance.

7 22. During the relevant time period, I sometimes used brochures that State Farm Life
8 provided to help market and explain Universal Life policies. Sometimes I did not use brochures to
9 help market and explain Universal Life policies. Those brochures are attached as Exhibits A and B.

10 23. Working as an independent contractor agent for State Farm for over forty years, I have
11 marketed policies to many different types of people. For some time, my office was in Kent,
12 Washington, which is a community with different income levels and demographics. I then moved in
13 1995 my office to Maple Valley, Washington, which during the relevant time period was also a
14 community with different income levels and demographics.

15 24. During the relevant time period, I also served people of different demographics,
16 different objectives, and different levels of familiarity with life insurance. For instance, I found
17 differences between people in different family structures. I recall conversations with healthy single
18 men in which we discussed that this was the perfect time to buy life insurance because their cost of
19 insurance rate would likely be less expensive in light of their young age and healthy medical condition,
20 but of course, that would need to be verified through State Farm underwriting. And I had conversations
21 with parents buying life insurance for college children to cover college debt.

22 25. During the relevant time period, the people who I spoke to that purchased State Farm
23 Life Universal Life policies rarely asked me questions about the cost of insurance deduction, but when
24 they did, I described it as the cost of doing business.

25 26. When explaining a life insurance policy during the relevant time period, if the
26 individual was married, both members of the couple would almost always come into my office
27 together. I encouraged couples to come in together so that I would not have to explain the policy twice.

1 I also think that couples came in together because of what buying life insurance meant. What I mean
2 by that is that life insurance is a product that you buy out of love. You might be legally required to
3 have auto insurance, but you are only buying a Universal Life policy in case of a tragic event, so that
4 the people that you care about are taken care of.

5 27. I had some potential policyholders during the relevant time period come into my office
6 with comparison Universal Life insurance policies from other companies. These people often wanted
7 me to explain how the policies were different and why the prices were different.

8 28. When potential policyholders brought in comparison policies during the relevant time
9 period, I made it a point to discuss State Farm Life's financial strength. I would tell people that
10 sometimes a State Farm Life policy might be a little more expensive than another company's policies,
11 but you can count on State Farm Life being able to pay out the policy's death benefit. It was my
12 understanding that State Farm Life's rates weren't necessarily higher because of different mortality
13 expectations, but because State Farm Life wanted to make sure it was a financially prudent company.
14 I would tell potential policyholders that State Farm Life offers competitive prices and that, when the
15 rubber meets the road, State Farm Life will be able to pay your death benefit. Over my long career, I
16 had these conversations many times.

17 29. After someone purchased the State Farm Life Universal Life policy, they had a 30-day
18 right to examine the policy, which meant that the Policy could be returned within 30 days of its receipt
19 for a refund of all premiums paid. During the relevant time period, I had some policyholders, often
20 engineers or teachers, that read the Policy from cover to cover. I knew that they read the Policy closely
21 because of the depth of the questions that they asked. I would answer whatever questions they had on
22 the Policy. These conversations with people that read the Policy thoroughly did not happen often.
23 These individuals would ask me about how the Policy would perform over time and the specifics about
24 the Policy's monthly deductions. I would explain the monthly deductions and the 5% premium
25 expense charge. Most of the people to whom I marketed a Universal Life policy and who then bought
26 the Policy did not have any questions during the 30-day right to examine period.

1 30. I make it a practice every other year to go through all the policyholders whose policies
2 I service and to reach out to them for reviews on their policies. I would say that I have post-sale follow-
3 up conversations with about 30-35% of those policyholders, including the policyholders that
4 purchased a Universal Life policy during the relevant time period. I think these conversations are
5 especially important with Universal Life policyholders because the cost of insurance deductions
6 reduce the account value as the policyholder starts getting older. I want to make sure that these policies
7 are funded.

8 I declare under the penalty of perjury under the laws of the United States of America that the
9 foregoing is true and correct.

10 Executed this 24th of March 2021 in Maple Valley, Washington.

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12 Craig Johnson
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